

SME summary: the AMF responded to the European Commission's public consultation (February 2017)

The *Autorité des marchés financiers* (AMF) responded to the European Commission's public consultation, launched in December 2017, on building a proportionate regulatory environment to support small and medium-sized enterprises (SMEs) listing. The AMF proposes to modify the current regime on points such as the definition of SME growth market, insider lists, periodic reporting, market soundings or the impact of MiF 2 rules. Here is the AMF's response.

The objectives of the European Commission's consultation

The public consultation focuses only on SME growth markets, a label created by MiFID 2. It aims to identify regulatory barriers to the listing of SMEs, while, at the same time, keeping investor protection and market integrity unharmed and preserve the core of recent EU regulations.

The public consultation contains two separate sections. The first section aims to identify the main challenges that SME-dedicated markets are currently facing. The second section focuses on certain well-defined issues such as the definition of SME growth market, market abuse obligations, delisting, transfer to and from a regulated market, periodic reporting, tick size, free float requirement, liquidity contracts and credit ratings.

The AMF's view of the challenges of SME-dedicated markets

According to the AMF, the main challenges currently faced by SME-dedicated markets include the decline of local ecosystems and the lack of retail and institutional investors. The small number of SMEs wishing to seek admission of their securities to European Union markets can also be explained by the greater availability of alternative sources of finance, high compliance costs due to regulatory constraints and the reluctance of some SME managers to open the capital of their company. In addition, the lack of visibility of SMEs and the lack of liquidity of securities are factors that can inhibit institutional and retail investors.

In order to foster European SME-dedicated markets, the focus should primarily be placed on investors' needs and how to make these types of markets truly attractive. Creating a strong label with a well-known identity and specialized teams within market operators would facilitate the rise of EU SME growth markets.

The AMF's responses on the regulatory barriers identified

For the AMF, in order to accelerate the growth of European SME-dedicated markets, focus should primarily be placed on investors' needs and measures to make these markets truly attractive. As a second step, focus can be placed on issuers and on alleviations that could facilitate listing while, at the same time, safeguarding sufficient investor protection.

The AMF proposes to modify the current legal regime on specific points, such as the definition of an SME growth market (capitalization threshold increased from €200 to 500 million), key advisors (which would be mandatory), insider lists (limited to permanent insiders), periodic financial reporting requirement (from which non-equity issuers would be exempted), the exemption from market sounding rules in case of private placement of bonds and the introduction of a free float requirement.

The AMF invites the European Commission to examine the impact of the MiFID 2 rules on research, and, where necessary, to put in place corrective measures to promote the development of a research offer for the benefit of European SMEs.